



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt resolution authorizing the City Manager to terminate the City of Alameda Power Exchange Agreement (EUD)

MEETING DATE: November 20, 2002

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council adopt a resolution authorizing the City Manager to terminate the City of Alameda Power Exchange Agreement.

BACKGROUND INFORMATION: Given the change in the nature of the Electric Utility Department's power supply by the defeasement of the Calpine power contract, it is prudent to terminate the City of Alameda Power Exchange with the City of Lodi related to the Steam Injection Gas Turbine (STIG). The agreement can be terminated by mutual agreement of both parties. The City of Alameda has communicated such a desire. This exchange termination has a positive benefit to the City of Lodi of \$200,000 net preset value. Attached is a copy of the original agreement, a graph summarizing the exchange and a letter requesting the termination.

FUNDING: None required


Alan N. Vallow
Electric Utility Director

PREPARED BY: Boris Prokop, Power and Rates Manager

ANV/BP/kse

C: City Attorney

APPROVED: 

H. Dixon Flynn - City Manager

**POWER AGREEMENT
BETWEEN
THE CITY OF ALAMEDA BUREAU OF ELECTRICITY
AND
THE CITY OF LODI ELECTRIC UTILITY DEPARTMENT
PROVIDING FOR TRANSFER OF RIGHTS TO ELECTRICITY
FROM THE NORTHERN CALIFORNIA POWER AGENCY
COMBUSTION TURBINE PROJECT NUMBER TWO
FOR A LIMITED TERM**

Because the City of Lodi Electric Utility Department (Lodi) and the City of Alameda, Bureau of Electricity (Alameda), collectively the Parties, are participants in the development of the Northern California Power Agency (NCPA) Combustion Turbine Project Number Two and have determined that it is beneficial for them to participate in the financing, construction and operation of that project; and

Because the City of Lodi is expected to be in need of additional power supply resources, especially during the summer, in future years; and

Because the City of Alameda is expected to have excess power supply resources during the summer; and

Because Alameda is expected to be in need of additional power supply resources, especially during the winter, in future years; and

Because Lodi is expected to have excess power supply resources during the winter; and

Because the benefits of the NCPA Combustion Turbine Project Number Two to both Lodi and Alameda can be enhanced by a seasonal exchange of that project;

Alameda hereby agrees to provide to Lodi a 10 percent Project Entitlement Percentage (approximately 5 megawatts) of the NCPA Combustion Turbine Project Number Two during the seven months of April through October of each year for the term of this agreement.

In consideration thereof, Lodi hereby agrees to provide to Alameda one and one-half times the cumulative monthly entitlement amount received or 21 percent Project Entitlement Percentage (approximately 10.5 megawatts) of NCPA Combustion Turbine Project Number Two during the five months of November through March of each year for the term of this agreement.

These exchanges shall be considered to be resource transfers within the NCPA Power Pool. This is a bilateral transaction as envisioned under the NCPA Pooling Agreement and subject to the

provisions of this transfer agreement. Should any of the required enabling agreements expire during the term of this agreement, the Parties will endeavor to replace them so that service may continue as envisioned herein.

It is understood that the transferor will continue to bear the fixed (capacity) cost while the transferee will bear the variable (energy) cost of the transferred resource, as those costs are determined by the budgeting and pooling procedures of NCPA.

If one of the Parties to this agreement finds itself in a situation of having excess power supply resources as a result of a loss of significant electric load in its service area and the other Party is in need of additional power supply, it is agreed that the Party in need of additional power supply will consider a purchase of NCPA Combustion Turbine Project Number Two from the Party with excess prior to purchasing, or otherwise acquiring, other comparable power supply resources.

It is the intent of both Parties that the provisions of this agreement may be extended for an additional term on the same basis subject to mutual agreement.

Parties shall also consider increasing exchange percentages as seasonal requirements increase over time.

This transfer agreement becomes effective upon the commercial operation of the NCPA Combustion Turbine Project Number Two, but not before January 1, 1995, and can be terminated by either party with four years' advance written notice, but no earlier than January 1, 2005, unless mutually agreed. Such termination will not relieve the Parties of any financial obligation derived pursuant to this agreement.

Authorized representatives of the Parties hereby execute this agreement.

By 

Date 7-9-92

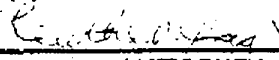
For City of Lodi
Electric Utility Department

By 

Date 7-21-92

For City of Alameda
Bureau of Electricity

Approved as to Form


CITY ATTORNEY

October 22, 2002

Mr. Alan Vallow
City of Lodi
Electric Utility Director
1331 South Ham Lane
Lodi, CA 95242-3995

Dear Alan:

The Transfer Agreement between Alameda and Lodi, signed in July 1992, provides for the seasonal exchange of rights to the output of the NCPA Combustion Turbine Project Number 2. By its letter of December 27, 2001, Alameda notified Lodi of its intent to terminate the agreement no later than January 2005, and its interest in terminating earlier if agreed to by Lodi. Recently, we have learned that you are interested in terminating the exchange as of January 1, 2003.

Alameda Power & Telecom staff is in favor of the January 1, 2003, termination date but we need to take this to our Public Utilities Board to get their concurrence. We intend to do so during November. When this is accomplished, and you have received any necessary authorizations, we propose sending a joint letter to NCPA effecting the termination. If you do not agree with this course of action, please let Don Rushton or me know as soon as possible.

Thanks for your attention to this matter.

Sincerely,



Junona A. Jonas
General Manager

JAJ:msw

cc: Don Dame, NCPA
Jim Beck, City of Lompoc
Tom Habashi, City of Roseville

2000 Grand Street
P.O. Box 14
Alameda, CA 94501-0014

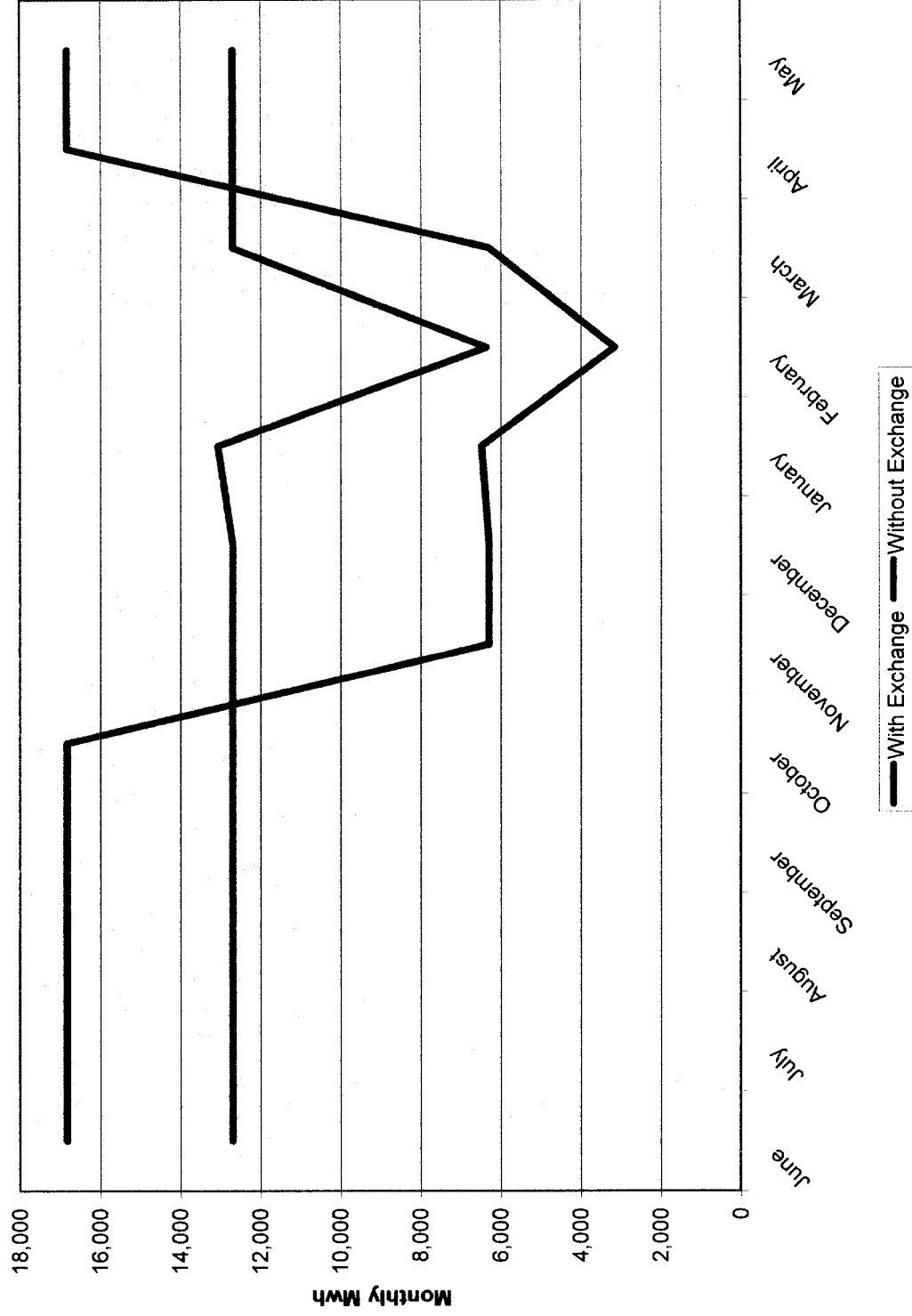
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STIG Entitlement with and without Alameda Exchange



RESOLUTION NO. 2002-230

A RESOLUTION OF THE LODI CITY COUNCIL
AUTHORIZING THE CITY MANAGER TO TERMINATE
THE CITY OF ALAMEDA POWER EXCHANGE
AGREEMENT

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WHEREAS, due to the defeasement of the Calpine Power Contract, it is prudent to terminate the City of Alameda Power Exchange Agreement with the City of Lodi related to the Steam Injection Gas Turbine (STIG); and

WHEREAS, the agreement can be terminated by mutual agreement of both parties and the City of Alameda has communicated such a desire.

NOW, THEREFORE, BE IT RESOLVED, that the Lodi City Council does hereby authorize the City Manager to terminate the City of Alameda Power Exchange Agreement.

Dated: November 20, 2002

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I hereby certify that Resolution No. 2002-230 was passed and adopted by the Lodi City Council in a regular meeting held November 20, 2002 by the following vote:

AYES: COUNCIL MEMBERS – Hitchcock, Howard, Land, Nakanishi, and Mayor Pennino

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None


SUSAN J. BLACKSTON
City Clerk